

Service Date: December 5, 1994

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

* * * * *

IN THE MATTER of the Application)	
of the Grant Creek Water Works)	UTILITY DIVISION
for Authority to Increase Rates)	DOCKET NO. 94.1.3
and Charges for Water Service)	ORDER NO. 5773b
to its Missoula, Montana Customers.))	

ORDER ON MOTION FOR RECONSIDERATION

BACKGROUND

1. On September 28, 1994, the Montana Public Service Commission (Commission) issued Order No. 5773a disposing of all matters then pending in this Docket. On October 12, 1994, the Commission received a Motion for Reconsideration from Grant Creek Water Works (Applicant or Grant Creek). Grant Creek stated that the Commission's final Order failed to address two issues on which testimony was presented during the hearing. Grant Creek maintains that the Commission's final Order fails to address the issues of increased system operator costs, resulting from a new contract, and additional rate case expense incurred by the Applicant.

2. On October 13, 1994, Intervenors, Grantland-Colorado Gulch Homeowners Association, and Grantland Homeowners Association, Inc., (Homeowners) filed a Response to (Grant Creek's) Motion for Reconsideration. The Commission's rules allow for motions for reconsideration of a decision and requests for rehearing. ARM 38.24805 and 38.2.4806. A motion for

reconsideration must address the merits of the Commission's decision setting forth specific grounds on which the movant alleges the decision to be unlawful, unjust or unreasonable.

3. The Homeowners' response is not a motion for reconsideration. It is a responsive pleading addressing the merits of the Applicant's proposed adjustment. The Commission's administrative rules do not contemplate the filing of a response to a party's motion for reconsideration. The Commission will rely on the information of record and not consider the content of the Homeowners' response in its deliberations on the Applicant's motion for reconsideration.

4. On October 19, 1994, the staff pursuant to delegated Commission authority issued a Notice of Staff Action. This notice waived the requirement in ARM 38.2.4806(5) that the Commission act on the motions for reconsideration within ten days.

5. Grant Creek states that the Commission's final order did not address the Applicant's request to recover additional annual operating expenses of \$4,680 associated with a new service contract. The Commission agrees. At the hearing Applicant explained that in June, 1994 its current system operator was retiring. The utility was entering into a service contract with Professional Consultants, Inc., to provide the services previously rendered by the retiring operator. In a late-filed exhibit Grant Creek indicated that this change in service providers would result in an annual cost increase of \$4,680.

6. At the hearing the Homeowners challenged the reasonableness of this proposed expense increase. In support of this challenge, the Homeowners presented the testimony of Steve Savage and Homeowners Exhibit No. 2. Mr. Savage testified concerning services offered by Lambros Property Management

(Lambros) and the cost of those services. Exhibit No. 2 indicates that Lambros is currently providing utility management services to four community systems in the area. The testimony generally demonstrated that the services to be provided by Professional Consultants, Inc. could be provided by Lambros at a substantially lower cost.

7. Grant Creek made no showing that it diligently investigated least cost alternatives for replacement of its system operator. The evidence provided by the Homeowners brings into question the reasonableness of the cost of the service contract with Professional Consultants, Inc. and reveals there are other less costly service contract options available to the utility. The Commission finds that Grant Creek's request for additional revenues of \$4,680 to recover costs associated with its new service contract should be denied.

8. At the hearing Grant Creek presented testimony that it had incurred additional rate case expenses totalling \$5,705 that it wished to recover over a two-year period. Amortizing the additional rate case expense over a two year period would warrant a revenue increase of \$2,853 annually.

9. In final Order No. 5773a the Commission allowed Grant Creek \$3,000 annually for amortization of rate case expenses. The costs of this rate case exceeded the Applicant's projection.

The Commission does not, however, feel compelled to authorize additional revenues for recovery of these expenses. Without adjusting the revenue increase authorized in the final order, Grant Creek will recover its total incurred rate case expenses in less than four years. This is a reasonable time frame when viewed in the context of the frequency of the Applicant's filing

history. Grant Creek last filed a rate increase application with this Commission in 1987, approximately seven years ago. If Grant Creek files a rate case prior to full amortization of the currently incurred rate case expense the Commission will re-examine the appropriateness of the amortization period. The Commission finds that the Applicant's request for additional revenues to recover rate case expense should be denied.

CONCLUSIONS OF LAW

1. The Applicant, Grant Creek Water Works, is a public utility as defined in Section 69-3-101, MCA. The Montana Public Service Commission properly exercises jurisdiction over Applicant's rates and service pursuant to Section 69-3-102, MCA.

2. The Commission has provided adequate public notice and an opportunity to be heard as required by Section 69-3-303, MCA, and Title 2, Chapter 4, MCA.

3. The Commission considered motions for reconsideration pursuant to ARM 38.2.4806.

4. The rates and rate structure approved in this order are just and reasonable. Sections 69-3-201, and 69-3-330, MCA.

ORDER

NOW, THEREFORE, IT IS ORDERED THAT:

1. Grant Creek Water Works' request for reconsideration is DENIED. Grant Creek shall file rate schedules as provided in Order No. 5773a

2. The rates approved herein shall not become effective until approved by the Commission.

3. DONE IN OPEN SESSION at Helena, Montana, this 28th day of November, 1994, by a 5 - 0 vote.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

BOB ANDERSON, Chairman

BOB ROWE, Vice Chairman

DAVE FISHER, Commissioner

NANCY McCAFFREE, Commissioner

DANNY OBERG, Commissioner

ATTEST:

Kathlene M. Anderson
Commission Secretary

(SEAL)

NOTE: You may be entitled to judicial review in this matter.
 Judicial review may be obtained by filing a petition for
 review within thirty (30) days of the service of this
 order. Section 2-4-702, MCA.

